

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 22, 2014

Advice Letter 4397-E

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**Subject: Updated Consumer Risk Tolerance Level in PG&E's
Bundled Procurement Plan**

Dear Mr. Cherry:

Advice Letter 4397-E is effective April 11, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division

April 11, 2014

Advice 4397-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Updated Consumer Risk Tolerance (“CRT”) Level in Pacific Gas and Electric Company’s Bundled Procurement Plan

Pursuant to pages 23-24 of Decision (“D.”) 12-01-033, Pacific Gas and Electric Company (“PG&E”) hereby submits to the California Public Utilities Commission (“Commission” or “CPUC”) for review and approval its updated Consumer Risk Tolerance (“CRT”) level applicable to year 2014. Pursuant to D.12-01-033, this CRT calculation shall be updated every two years from the filing of the previous Long Term Procurement Plan (“LTPP”) via either the LTPP filing or a Tier 1 advice letter.

Summary of Update Filing

In accordance with D.12-01-033, all updates proposed to PG&E’s approved Bundled Procurement Plan (“BPP”) between procurement plan filings are made through the advice letter filing process. An advice letter filing should include redlined pages of PG&E’s approved BPP, as well as the corresponding clean pages. Accordingly, Attachments A and B (redlined and clean) include the relevant pages of the changes to the CRT calculation in Section II of the narrative of PG&E’s approved BPP.

Below is a description of the updates made to PG&E’s approved BPP.

Description of Updates to PG&E’s Approved BPP

A. Section II

Section II of PG&E’s approved BPP describes how PG&E will implement its BPP. Consistent with the Commission’s directive on pages 23-24 of D.12-01-033, PG&E has made the following modification:

- Updated Section II.B.1 (“Portfolio Risk Assessment and Customer Risk Tolerance”) to revise the following sentence and footnote regarding PG&E’s CRT:

Based on PG&E's effective January 2014 bundled system average rate of 16.3 cents/kWh,¹ a 10% risk tolerance factor yields a CRT of 1.63 cents/kWh or \$1,240 million.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than May 1, 2014, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

¹ PG&E Advice Letter 4278-E-B "Supplemental Filing - Annual Electric True-Up - Consolidated Changes to PG&E Electric Rates on January 1, 2014"
http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC_4278-E-B.pdf.

Effective Date

PG&E requests that this Tier 1 advice filing become effective upon filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.12-03-014. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

Handwritten signature of Brian Cherry in cursive, followed by the initials IG.

Vice President – Regulatory Relations

cc: President Michael R. Peevey
Commissioner Michael Picker
Commissioner Catherine J.K. Sandoval
Commissioner Mike Florio
Commissioner Carla Peterman
Karen Clopton, General Counsel
Chief ALJ Timothy Sullivan
Edward Randolph, Director, Energy Division
Energy Division Tariff Unit, Energy Division
Service List for R.12-03-014

Attachments:

Attachment A BPP Sheet 55 (Redlined)
Attachment B BPP Sheet 55 (Clean)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Igor Grinberg

Phone #: (415) 973-8580

E-mail: ixg8@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4397-E**

Tier: **1**

Subject of AL: **Updated Consumer Risk Tolerance ("CRT") Level in Pacific Gas and Electric Company's Bundled Procurement Plan**

Keywords (choose from CPUC listing): Compliance

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.12-01-033

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: **April 11, 2014**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

Advice 4397-E

Attachment A:
Bundled Procurement Plan
Sheet 55 (Redlined)



CRT level was set by the Commission at 10% of PG&E’s system average rate. The calculation of the CRT value is derived by multiplying 10% of the adopted bundled system average rate by the bundled forecasted sales for the rolling 12-month period.

Based on PG&E’s effective January ~~2012-2014~~ bundled system average rate of ~~165.3 cents/ kWh,~~¹³ a 10% risk tolerance factor yields a CRT of 1.63 cents/kWh or \$1,240 million-1.53 cents/kWh. Pursuant to D.12-01-033, this CRT calculation will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT will be updated two years from the filing of the previous LTPP via a Tier 1 advice letter. A description of PG&E’s TeVaR methodology is included in Appendix E.

2. PG&E’s Current Risk Management Practices

PG&E hedges to keep the portfolio’s risk within the CRT level established by the Commission. PG&E uses the electric TeVaR measure to assess portfolio risk. While hedging reduces the risk of adverse price movements and leads to more stable portfolio costs, hedging does not reduce the expected (that is, average or mean) portfolio cost.

PG&E hedges the price risk of its portfolio in accordance with its Commission-approved electricity and gas hedging plan. Under the hedging plan, PG&E is authorized to utilize financial instruments in addition to physical contracts to hedge its price risk. This hedging plan provides PG&E with an approved guideline for volume, term and tenor, and permitted product type. The hedging plan also establishes the credit liquidity

¹³ PG&E Advice Letter ~~3896~~4278-E-B “Supplemental Filing – Annual Electric True-Up – Consolidated Changes to PG&E Electric Rates on January 1, 2014~~2~~”
http://www.pge.com/notes/rates/tariffs/tm2/pdf/ELEC_3896-E-B.pdf
http://www.pge.com/notes/rates/tariffs/tm2/pdf/ELEC_4278-E-B.pdf

Advice 4397-E

Attachment B:
Bundled Procurement Plan
Sheet 55 (Clean)



CRT level was set by the Commission at 10% of PG&E's system average rate. The calculation of the CRT value is derived by multiplying 10% of the adopted bundled system average rate by the bundled forecasted sales for the rolling 12-month period. Based on PG&E's effective January 2014 bundled system average rate of 16.3 cents/kWh,¹³ a 10% risk tolerance factor yields a CRT of 1.63 cents/kWh or \$1,240 million. Pursuant to D.12-01-033, this CRT calculation will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT will be updated two years from the filing of the previous LTPP via a Tier 1 advice letter. A description of PG&E's TeVaR methodology is included in Appendix E.

2. PG&E's Current Risk Management Practices

PG&E hedges to keep the portfolio's risk within the CRT level established by the Commission. PG&E uses the electric TeVaR measure to assess portfolio risk. While hedging reduces the risk of adverse price movements and leads to more stable portfolio costs, hedging does not reduce the expected (that is, average or mean) portfolio cost.

PG&E hedges the price risk of its portfolio in accordance with its Commission-approved electricity and gas hedging plan. Under the hedging plan, PG&E is authorized to utilize financial instruments in addition to physical contracts to hedge its price risk. This hedging plan provides PG&E with an approved guideline for volume, term and tenor, and permitted product type. The hedging plan also establishes the credit liquidity

¹³ PG&E Advice Letter 4278-E-B "Supplemental Filing – Annual Electric True-Up – Consolidated Changes to PG&E Electric Rates on January 1, 2014"
http://www.pge.com/notes/rates/tariffs/tm2/pdf/ELEC_4278-E-B.pdf.

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

1st Light Energy	Douglass & Liddell	Occidental Energy Marketing, Inc.
AT&T	Downey & Brand	OnGrid Solar
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
Anderson & Poole	G. A. Krause & Assoc.	Praxair
BART	GenOn Energy Inc.	Regulatory & Cogeneration Service, Inc.
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCD Energy Solutions
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCE
Braun Blasing McLaughlin, P.C.	Green Power Institute	SDG&E and SoCalGas
CENERGY POWER	Hanna & Morton	SPURR
California Cotton Ginners & Growers Assn	In House Energy	San Francisco Public Utilities Commission
California Energy Commission	International Power Technology	Seattle City Light
California Public Utilities Commission	Intestate Gas Services, Inc.	Sempra Utilities
California State Association of Counties	K&L Gates LLP	SoCalGas
Calpine	Kelly Group	Southern California Edison Company
Casner, Steve	Linde	Spark Energy
Center for Biological Diversity	Los Angeles County Integrated Waste Management Task Force	Sun Light & Power
City of Palo Alto	Los Angeles Dept of Water & Power	Sunshine Design
City of San Jose	MRW & Associates	Tecogen, Inc.
Clean Power	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Coast Economic Consulting	Marin Energy Authority	TransCanada
Commercial Energy	McKenna Long & Aldridge LLP	Utility Cost Management
County of Tehama - Department of Public Works	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Utility Specialists
Davis Wright Tremaine LLP	Morgan Stanley	Verizon
Day Carter Murphy	NLine Energy, Inc.	Water and Energy Consulting
Defense Energy Support Center	NRG Solar	Wellhead Electric Company
Dept of General Services	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Division of Ratepayer Advocates	North America Power Partners	